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SECURITY INFORMATION

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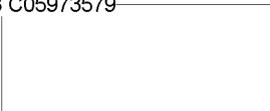
CENTRAL INTELLIGENCE AGENCY

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NOTE: Comments in this publication   represent the immediate views of the Office of Current Intelligence.

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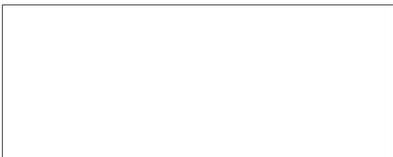
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GENERAL

1. USSR-Indonesian trade discussions reportedly being conducted in Bangkok:



The American Charge in Thailand has been reliably informed of trade discussions between Soviet Embassy officials and the Indonesian Minister and his commercial staff. 3.3(h)(2)

The USSR has reportedly offered capital goods in exchange for rubber, tin, and coconut oil. Trucks and passenger cars are also allegedly being sent to Indonesia for demonstration purposes. Apparently no agreement has yet been signed.

Comment: 3.3(h)(2)

Foreign Minister Mukarto will shortly recommend to high Indonesian officials that trade and diplomatic relations with the Soviet bloc be expanded to counterbalance American influence in Indonesia.

3.3(h)(2)

SOVIET UNION

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2. Continued air activity in the Chukotsk region:



continued transport activity in the Chukotsk area by aircraft possibly subordinate to the Third Long Range Air Army. Between 2 and 15 July, approximately 19 aircraft made at least 57 flights. Major terminal points were again Markovo and Tanyurer, although some flights were made to five other points, including Anadyr.

Comment: Airlift operations into the lower Chukotsk region took place during April. The present transport activity into the upper Chukotsk area began on 12 June.

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FAR EAST

3. Portugal willing to bargain with Peiping on Macao:



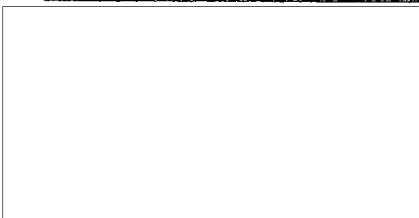
The American Embassy in Lisbon reports that Foreign Ministry officials fear that Chinese attacks on Macao this week have been directed from Peiping, and are directly related to restrictions on the Macao-China trade. A Foreign Ministry spokesman intimated that Portugal would be "quite willing" to make trade concessions in order to retain Macao. He asked for "understanding" on the part of the United States.

3.3(h)(2)

Meanwhile, the Lisbon government has instructed Macao authorities to avoid incidents, but to fight back when attacked.

Comment: The Portuguese Government has firmly resisted American pressure to halt all strategic exports to China because of the "very serious consequences" this would have for Macao. Accordingly, it has applied for presidential exception from the provisions of the Battle Act for a select number of strategic goods.

4. Chinese-trained Burmese Communists reportedly enter Burma:



The American Army Attache in Bangkok has been told [redacted] that 1,000 Burmese Communist troops, part of a force of three regiments training in China, recently entered northern Burma. Their exact location and mission are unknown.

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Comment: [redacted] on 28 June three Burmese Communist regiments, plus 1,000 Chinese Communist troops, moved from Yunnan Province into northern Burma.

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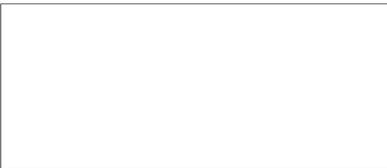
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These reports are unconfirmed. A military training program for unknown numbers of Burmese Communists and Kachins has been under way in China for some time.

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5. Burmese Defense Minister renews offer to repatriate Chinese Nationalists:



A prominent anti-Communist Chinese has informed the American Embassy in Rangoon that Burmese Defense Minister Ba Swe is renewing his offer to Taipei to repatriate Chinese Nationalist troops through Rangoon, and intends to begin military operations against the Nationalists in the fall unless they are evacuated.

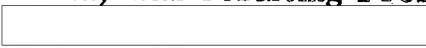
The Embassy comments that Ba Swe is apparently sincere, but that his timetable appears to be optimistic and the repatriation of such a large number of troops who have no effective leadership seems impractical. Nevertheless, the Embassy feels that a solution is urgent because an open conflict between Burmese forces and the Nationalists would bring serious repercussions for local anti-Communist Chinese.

Comment: Burmese Commander in Chief Ne Win recently announced that he was planning an all-out campaign against the Nationalists, who number 7,000 to 10,000. A concentrated Burmese attack on the Nationalists would greatly benefit the Communist and Karen insurgents.

3.3(h)(2)

6. Indonesian President and Defense Minister in conflict over Communists in army:



 official in the Indonesian Foreign Office has told Ambassador Cochran that numerous Communists have infiltrated the army, but that the Defense Minister, the Sultan of Jogjakarta, was resisting President Sukarno's efforts to purge them.  the "Cabinet situation was tense" and that the Defense Minister might resign and cause the government's fall.

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Comment: Considerable information is available on the general disagreement between the Defense Minister and President Sukarno. The failure to improve internal security and the deterioration of conditions in West Java have increased sentiment for an authoritarian government led by Sukarno.

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NEAR EAST - AFRICA

3.3(h)(2)

7. Iranian Army attempts to tighten security on Soviet border:

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[Redacted]

the increasing number of persons crossing into the Soviet Union, and ordered that border garrisons watch all suspicious elements.

3.3(h)(2)

Comment: [Redacted] concern over the border areas has been stimulated by the general decline of public order during the year and a half of Mossadeq's rule.

3.3(h)(2)

8. King Talal of Jordan plans to abdicate:

[Redacted]

[Redacted]

[Redacted] King Talal intends to abdicate and to live in Mecca. The King has no intention of undergoing medical treatment, and plans to divorce his wife.

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The Premier expressed approval of the proposal, which would permit the present Regency Council to continue until Prince Hussein reaches his majority next May.

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Comment:

[redacted] Saudi Arabian interest in the Jordanian Premier's efforts to stabilize the unsettled political situation caused by Talal's illness. In view of the cordial reception given Talal a few months ago by the Saudi Arabian Government, permission for him to reside in Mecca may be expected.

3.3(h)(2)

9. Defection of Liberal deputy eliminates Greek Government majority:

[redacted] The parliamentary majority of the Liberal-EPEK coalition disappeared on 30 July with the resignation from the party of a Liberal deputy from north-central Greece. The Liberal-EPEK coalition now controls 129 seats, exactly half of the membership of parliament.

3.3(h)(2)

Former Prime Minister and Greek Rally supporter Papandreou, who reportedly engineered the defection, told the US Embassy that another deputy would leave the Liberal Party within a few days. In Papandreou's opinion, this will force the King to dissolve parliament or compel the government to rely on the eight Communist-controlled EDA deputies in order to remain in office.

Comment: Unable to vote the government out of office, the opposition Greek Rally is trying to bring about its fall through defections.

The King is strongly opposed to Marshal Papagos, the probable victor in new elections, and may prefer to rely on the EDA deputies rather than dissolve parliament.

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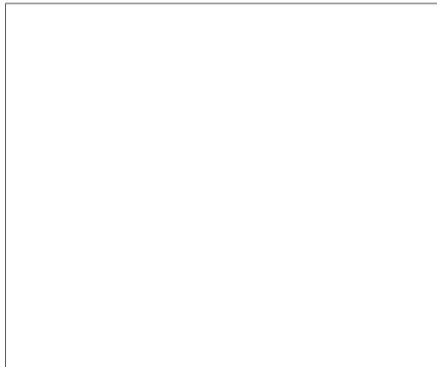
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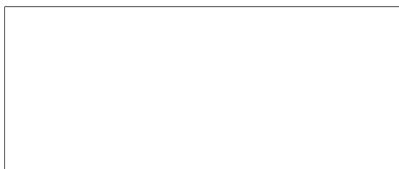
10. Provisional Regency Council reportedly formed in Egypt:

a compromise agreement has been reached with General Nagib and "his clique" on the composition of a Provisional Regency Council. Members of the Council will be Prince Abdul Moneim of the royal family, former Minister of Education Barrahat, and Colonel Mohanna.

According to the Prime Minister, the Council of State will announce that "current conditions" necessitate suspension of the Constitution. In this way, Mahey hopes to avoid convening parliament and to rule Egypt through the Provisional Regency Council without elections.

The Foreign Office in London has expressed particular satisfaction that Ali Maher has no immediate intention of convoking the Wafd-controlled parliament, which was dissolved last March by former Premier Hilali.

Comment: The inclusion of the unknown Colonel Mohanna on the Provisional Regency Council does not support General Nagib's public statements that the Egyptian Army will not interfere in civil affairs.

WESTERN EUROPE**11. East German Alert Police now reported to number 82,000:**

American military authorities in Germany estimate that continued recruiting has raised the strength of the East German paramilitary Alert Police from 70,000 on 1 June to at least

82,000 by 30 July. Reportedly, individuals are now being recruited between the ages of 16 and 30, the basic training period has been extended from four to six weeks, and the recruiting campaign has procured about 34,000 men since 1 April. Recruiting is expected to continue at the same rate.

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While each of the 24 Alert Police units consists now of about 3,000 officers and men, the Police must undergo extensive training before it attains any significant offensive capability.

12. Comment on the Berlin situation:

The recent mass flight of refugees into West Berlin was touched off by widespread rumors that the Berlin sector crossing points would be closed on 1 August and by fear of induction into the East German labor and military organizations. Refugees now average 1,000 a day, five times the daily average of last spring.

Communist sensitivity to this exodus has been demonstrated by the modification of the propaganda slogans for the rally of Communist youth in East Berlin on 3 August. When the rally was first announced on 19 July, the appeals for youth participation emphasized the "overthrow the Reuter government" theme. This theme was altered on 31 July to "eliminate" the Berlin refugee settlements.

The West Berlin police and the 12,000 Allied troops in the city should be able to handle any incursions from East Berlin. American officials in Frankfurt now believe that the east and west sectors of the city will be completely separated in the near future.

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